



An Overview of Finland's Gambling Market

H2 Gambling Capital

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**Data driven
intelligence**

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About

- H2 is an independent B2B research firm focused solely on all aspects of the global gambling industry (betting, gaming and lotteries);
- The gambling industry's **leading** quoted source globally in the business media, company reports, transaction documentation and sell-side analyst research;
- Supplied data / market intel to or worked with over **750** clients globally;
- **H2's Data** regularly quoted in the leading industry / business media.

Services

- Real time **data** tracking and forecasting **Subscription** service;
- **Premium** consulting service providing deeper / tailored solutions.

Expertise

- Data Included in the EC's Green Paper, 'Online Gambling in the Internal Market';
- In the US provided the Forecasts Underpinned PwC's scoring of the **Frank Legislation**;
- Presented evidence at the **California Senate** Financial Services Committee on 'Internet Gambling Regulation, Consumer Protection and Enforcement Act' 2010;
- Bespoke market assessments for either governments / commercial companies including: Belgium, California, Czech Republic, Denmark, Florida, Greece, Netherlands, Norway, Sweden, New York State and Pennsylvania.

Subscription

- >120 Markets Covered in Detail with c300 Active Files;
- >650 Active Users – Average of 80 Downloads per Day;
- >120 New / Updated Postings per Month.

Disclaimer

Whilst great care has been taken in the preparation of this publication H2 Gambling Capital take no responsibility whatsoever for the accuracy or completeness of the data and information provided within this Report. Although we have sought to ensure that all of the data and information contained herein have been obtained from/based on reliable sources its accuracy cannot be guaranteed and no warranty is given as to the correctness of the information in this publication.

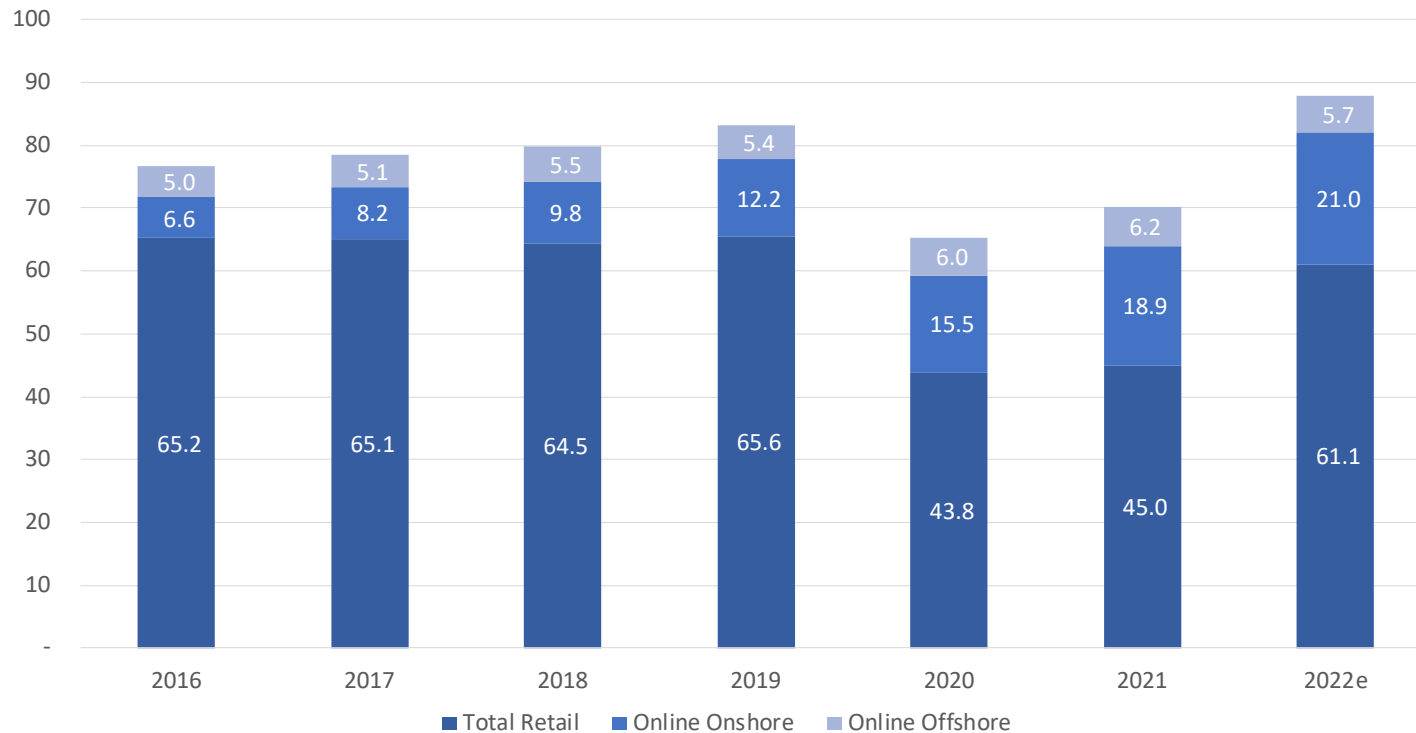


Selected Users of H2 Data / Market Intel

- Bank of America Merrill Lynch
- Barclays Capital
- Bloomberg
- Caesars Entertainment
- Citibank
- Credit Suisse
- Deutsche Bank
- FDJ
- Financial Times
- Goldman Sachs
- IGT
- Hong Kong Jockey Club
- McKinsey & Company
- Ministry of Justice, Netherlands
- Morgan Stanley
- Netherlands Gaming Authority
- Norsk Tipping
- Norwegian Gaming Board
- PwC
- Reuters
- Scientific Games
- Swedish Gaming Board
- The Economist
- UK Gambling Commission
- Wall Street Journal
- Wells Fargo

European Market Gross Gambling Revenue

European Market Gross Gambling Revenue Split (€bn)



2016-22e
CAGR

Online
Offshore: 2%

Online
Onshore: 21%

Total Retail:
-1%

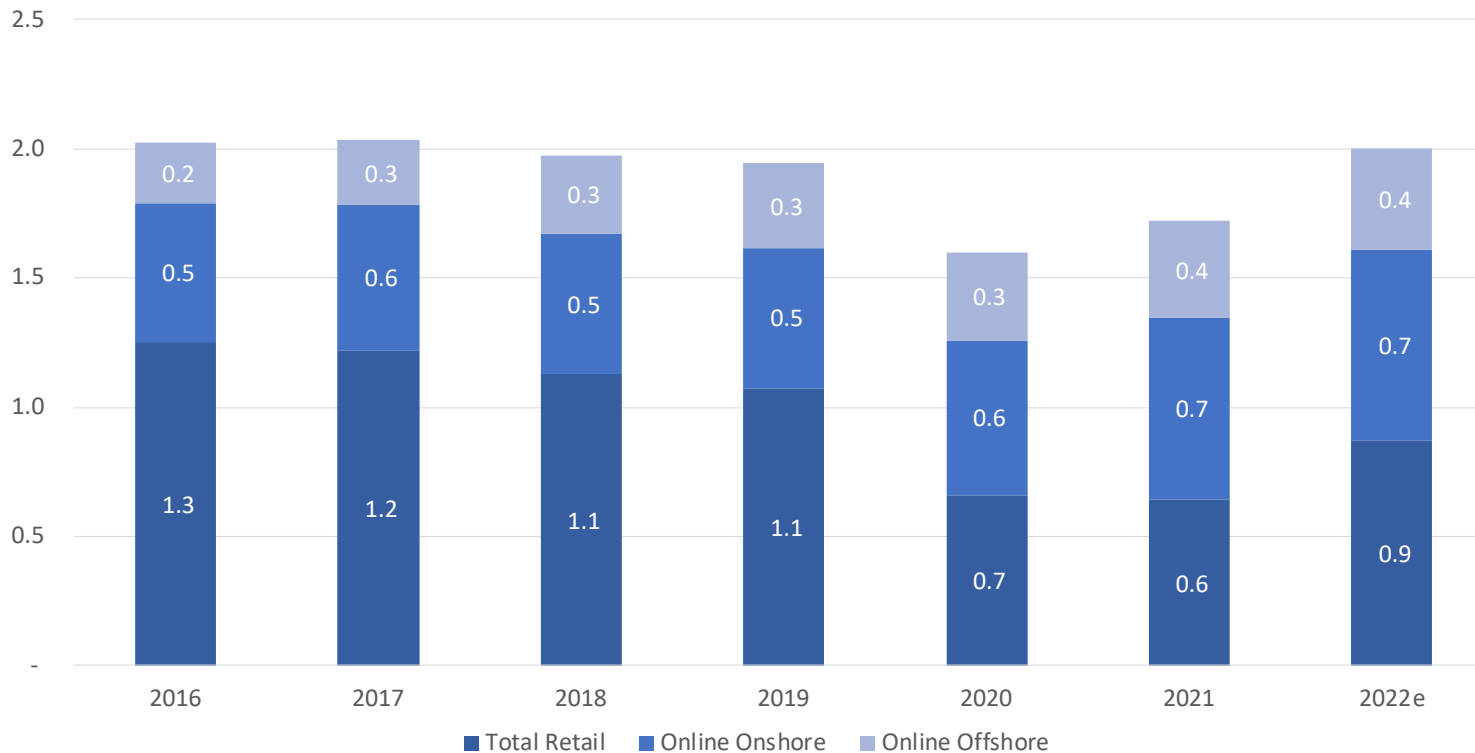
Total
Market: 2%

Source: H2 Gambling Capital, 2021

- The European gambling market generated €65.3bn in 2020, market down from €76.7bn in 2016, but is forecast to recover to €87.9bn by 2022
- Onshore online has been the driver of growth, with a 2016-22e CAGR of 21%, compared to offshore online at 2% and retail at -1%
- In 2022, retail is estimated to account for 70% of the total market at €61bn, compared to 85% in 2016 (€65bn)

Finland Market Gross Gambling Revenue

Finland Market Gross Gambling Revenue Split (€bn)



2016-22e
CAGR

Online
Offshore: 9%

Online
Onshore: 5%

Total Retail:
-6%

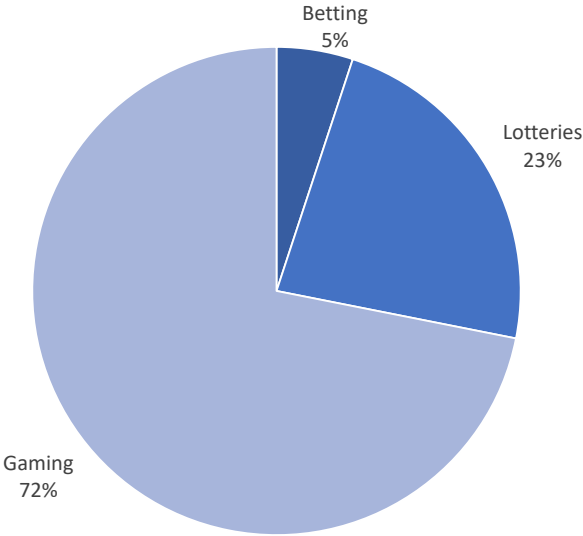
Total
Market:
-0.2%

Source: H2 Gambling Capital, 2021

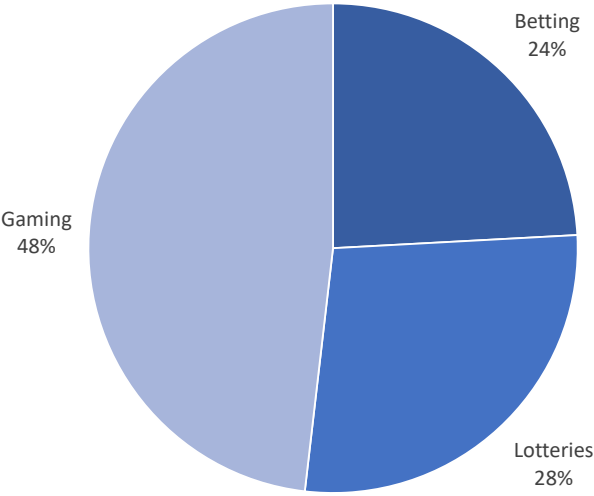
- The Finnish gambling market generated an estimated €1.6bn of gross win in 2020, down from €2.0bn in 2016, and is forecast to return to €2.0bn by 2022
- In contrast to Europe as a whole, in Finland the offshore online has seen the strongest growth, with a 2016-22e CAGR of 21%, compared to offshore online at 2% and retail at -1%
- In 2022, the offshore market is estimated to account for 20% of the total market at €393m, compared to only 12% in 2016 at €233m

Finland GGR By Product Split 2022e

Retail (€870m)



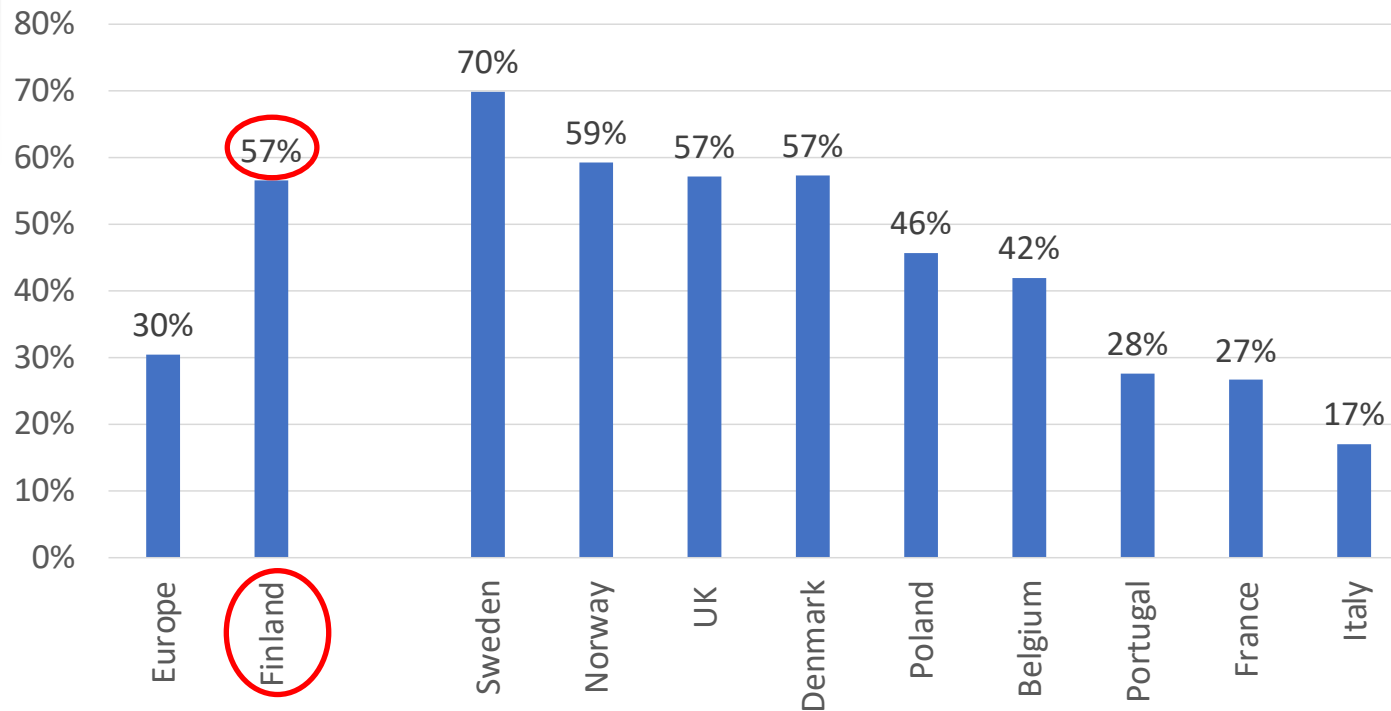
Online (€1,135m)



- Gaming generates 58% of revenue as a whole where it is the biggest driver of revenue in both Retail and online.
- In the online sector 24% of revenue is generated from Betting which is slightly more than in Retail.
- Lotteries makes up the remaining of revenue which is more popular online.

Percentage Online 2022e

Percentage Online 2022e Market Split

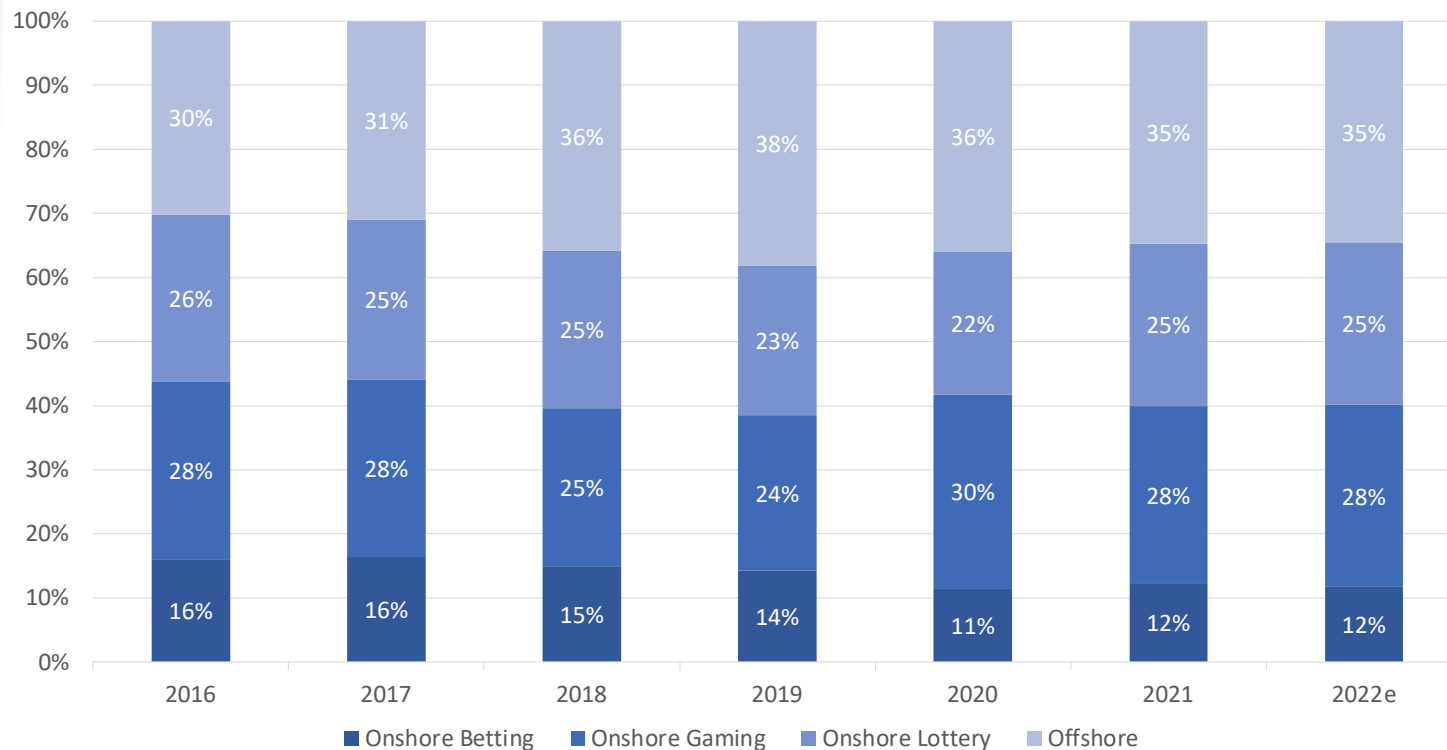


Source: H2 Gambling Capital, 2021

- The online penetration of a market is both a function of the structure and maturity of the online market, but also the size of the land-based market.
- As an example, Italy's online market is c.2x the size of that of Sweden, but its online penetration is only 17% compared to 70% in Sweden, due to the size of the Italian land-based market

Finland Online Channelling Rate

Finland Online GGR by Channel

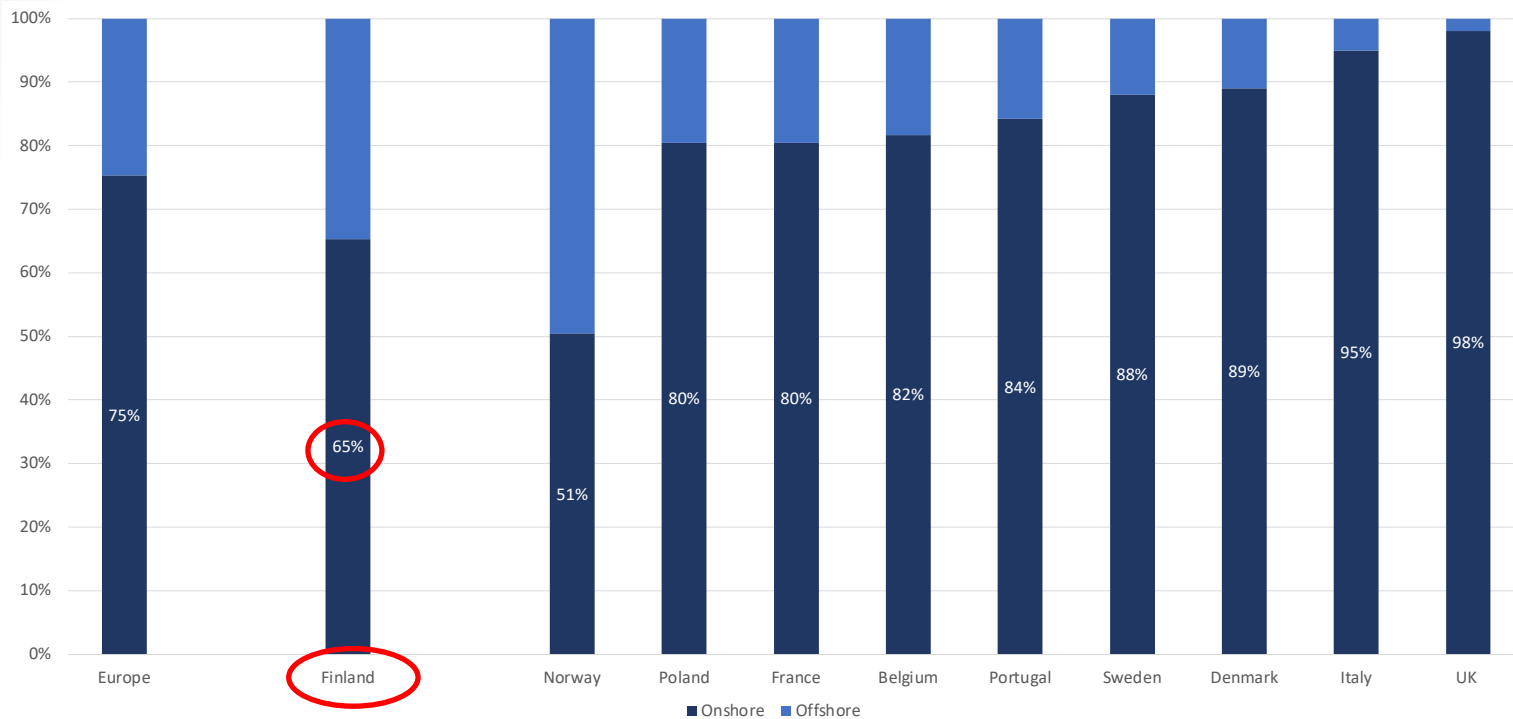


Source: H2 Gambling Capital, 2021

- Therefore, the channelling rate (onshore online vs offshore online) is generally a better indicator about the health of an online market.
- A smaller offshore market is viewed as optimal, as offshore activity offers limited consumer protection, and generates no economic benefit to the country. By contrast, a higher proportion of onshore activity means that Governments have more control over the online gambling activity, leading to higher levels of customer protection.
- Finland is currently running at an onshore penetration of c.65% (i.e. c.35% of all gambling activity takes place with non-licensed offshore operators)

European Channelisation

European Markets Online Channelisation Split

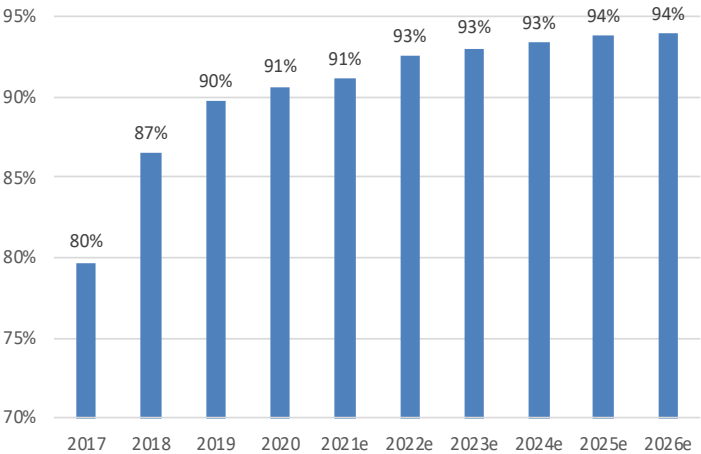


Source: H2 Gambling Capital, 2021

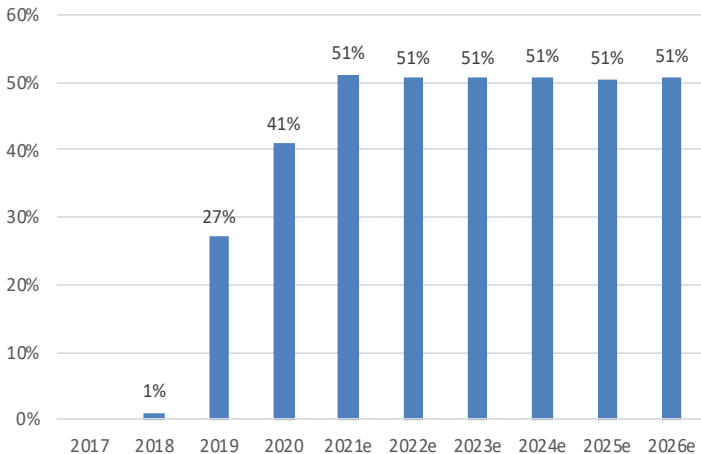
- Generally, markets with the least offshore activity are those with more liberalised onshore regulations
- For example, the UK has a highly liberal open market model, has a very high onshore channelisation
- By contrast, countries such as France (no online casino) and Poland (monopoly onshore casino with no advertising allowed) have much lower onshore channelisation
- Norway and Finland, with their monopolies, have a much lower onshore channelisation than in other markets

Poland H2 Estimated Online Channelling Rates (2017-26e)

Online Betting

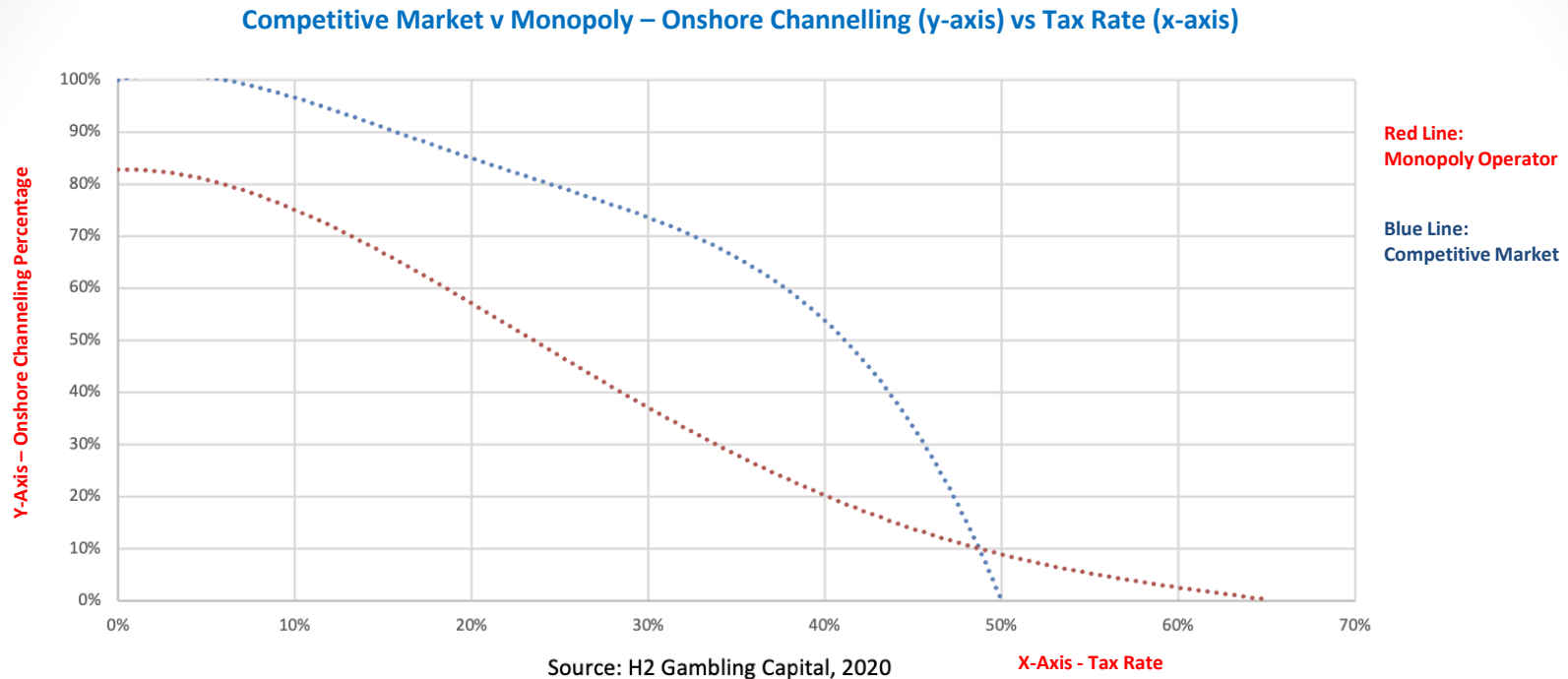


Online Gaming



- While it is sometimes suggested that different countries will have inherently different onshore channelling rates, due to cultural / behavioural differences. However, Poland is an example of how the market structure is the clear driver of channellisation.
- The online betting market in Poland is an open, commercial market, and has estimated by H2 to have over 90% of the market onshore.
- By contrast, the online gaming market is a monopoly with highly restrictive advertising, and therefore half of the market is estimated to be offshore.

Competitive Market v Monopoly



Another factor in market channelisation at different levels of taxation is the profitability of market operators:

- In a competitive market, operators will take lower levels of profit due to high marketing spend and fragmented market share compared to a monopolistic market structure.
- Therefore under a monopolistic model (Red), operators will remain profitable at a higher level of taxation than under a competitive market (Blue). Therefore, a monopolistic model can support a higher tax rate.
- However, due to lower marketing spend and product choice for consumers, onshore channelling will be lower for a monopoly than a competitive market at any tax level.

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